

**THE FLORIDA INTERNATIONAL UNIVERSITY
ACADEMIC HEALTH CENTER HEALTH CARE
NETWORK FACULTY GROUP PRACTICE, INC.**

FINANCIAL STATEMENTS

JUNE 30, 2022

**THE FLORIDA INTERNATIONAL UNIVERSITY ACADEMIC HEALTH
CENTER HEALTH CARE NETWORK FACULTY GROUP PRACTICE, INC.
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Audit Committee of,
The Florida International University Academic Health Center
Health Care Network Faculty Group Practice, Inc.:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of The Florida International University Academic Health Center Health Care Network Faculty Group Practice, Inc. (the FIU HCN), a component unit of Florida International University, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the FIU HCN's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the FIU HCN as of June 30, 2022, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the FIU HCN and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

The FIU HCN's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the FIU HCN's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the FIU HCN's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the FIU HCN's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Emphasis of Matter

As discussed in Note 1(k) and Note 6, the FIU HCN implemented GASB 87, *Leases*, for the year ended June 30, 2022. The 2022 financial statements have been presented to conform with the provisions of GASB 87. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2022, on our consideration of the FIU HCN's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the FIU HCN's internal control over financial reporting and compliance.

James Moore & Co., P.L.

Gainesville, Florida
October 25, 2022

**THE FLORIDA INTERNATIONAL UNIVERSITY ACADEMIC HEALTH CENTER
HEALTH CARE NETWORK FACULTY GROUP PRACTICE, INC.
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

The management’s discussion and analysis (MD&A) provides an overview of the financial position and activities of The Florida International University Academic Health Center Health Care Network Faculty Group Practice, Inc. (the FIU-HCN or HCN) for the fiscal years ended June 30, 2022, and 2021, and should be read in conjunction with the financial statements and notes thereto. The MD&A, financial statements, and notes thereto, are the responsibility of management.

BACKGROUND

The FIU-HCN financial model transitioned in fiscal year 2015-2016 from a full risk clinical model to a Management Services model serving different stakeholders across FIU. That same year, a new leadership team was appointed, and a new Memorandum of Understanding (MOU) was executed effective June 3, 2016, between “The Florida International University Board of Trustees and The Florida International University Academic Health Center Health Care Network Faculty Group Practice, Inc.” (FIU-HCN). At that time the FIU-HCN new leadership assumed a loan with a debt balance of \$8.6 million. As a result of the change in financial model, the patient revenues and respective AR for clinical services provided since July 2015 are no longer recorded under the books of HCN; it is recorded under the books of the HWCOCM.

Between fiscal year 2016 and fiscal year 2022, the revenues of FIU-HCN included management fees deriving from managing the HWCOCM clinics, the HWCOCM Office of International Affairs (HWCOCM-OIA), the FIU Student Health Clinics and Pharmacy, ORED-Embrace, Center for Children and Families credentialing and the leases of the Ambulatory Care Surgery Center (ASC) to Nicklaus Children’s Hospital and Gastro Health. The ORED-Embrace agreement ended in January 2020 and the Student Health Pharmacy closed in June 2021 due to continued losses which was further impacted by the COVID-19 pandemic. The closing of the Student Health pharmacy realizes savings of approximately \$1.25 million over the next five years to FIU. In June 2022, the management service agreement with the Division of Academic & Student Affairs, in place since 2015, was replaced with a new service agreement with similar services provided to Student Health Clinics.

The expenses of the clinics passed through FIU-HCN do not include the cost of the salary and benefits related to the clinical effort for the HWCOCM physician faculty time; this effort is recorded directly under the books of the HWCOCM.

In the management service model, the change in net position of the HWCOCM-OIA program transfers to HWCOCM and the expenses of the clinic are reimbursed to FIU-HCN by HWCOCM. As a result, the reported change in net position of the FIU-HCN entity represents exclusively the change in net position of the FIU-HCN management service line of business.

By June 30, 2021, the loan from FIU had an outstanding balance of \$6.7 million. The management service model proved to be successful and in July 2021 FIU-HCN was able to pay off the balance of \$6.7 million of the loan from FIU. This loan dated back to May 2015, and it originally amounted to \$8.6 million with a term of 21 years.

FINANCIAL HIGHLIGHTS – CURRENT YEAR

The FIU-HCN assets in fiscal year 2022 totaled approximately \$ 12.7 million as of June 30, 2022; an increase of approximately \$ 1.1 million from June 30, 2021, resulting primarily from the recognition of lease receivables in accordance with Governmental Accounting Standards Series Statement No. 87 (GASB 87 Leases). GASB 87 was implemented by FIU-HCN for the fiscal year ended June 30, 2022. The increase related to lease receivables of \$5.2 million was offset by a decrease in cash of \$4.2 million related to the payment made to FIU on July 1st, 2021, to pay-off the loan balance as per the approval during the FIU-HCN Board of Directors meeting on May 19, 2021. Approximately \$2.7 million under total assets in fiscal year 2022 belong to the operations of the HWCOCM-OIA program. Total cash sent to HWCOCM net of expenses from their OIA program during the fiscal year 2022 amounted to \$3.07 million.

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The liabilities represent the accounts payable due to vendors and the Florida International University, accruals for the operating expenses, the unearned revenue related to the pre-paid rotations under the HWCOT-OIA program, and the deferred inflow of resources derived from the implementation of GASB 87 Leases. Liabilities totaled approximately \$7.6 million as of June 30, 2022, a decrease of approximately \$1.3 million over prior fiscal year driven by the full payment of the balance of the loan due to FIU amounting \$6.7 million which was offset by the recognition of deferred inflow of resources of approximately \$5.1 million. Liabilities related to the HWCOT-OIA program amounted to approximately \$2.1 million as of June 30, 2022.

The FIU-HCN's operating revenues totaled approximately \$11.7 million for the 2022 fiscal year, an approximate increase of \$513 thousand over prior fiscal year and exceeding budget by \$2.3 million. Most of this increase is driven by higher volumes in the OIA program resulting from the ability to offer remote learning programs through January 2022 as a result of the COVID-19 pandemic.

Included in the \$11.7 million operating revenues are: (a) Management fee service revenue totaling approximately \$3.08 million. (2) The HWCOT-OIA educational program revenue and other OIA revenues deriving from registration, change and cancellation fees totaling approximately \$6.0 million. (3) Revenues related to the HWCOT clinics (the payments from HWCOT to cover the cost of operating the HWCOT clinical sites) totaling approximately \$1.5 million reported as part of "other revenues". (4) The rental revenue and CAM revenue amounting to approximately \$0.79 million deriving from the Nicklaus Children's Hospital lease.

Operating expenses totaled approximately \$6.0 million for the 2022 fiscal year, an increase of approximately \$215 thousand over the prior fiscal year. This is mainly derived from vacant positions that were filled in 2022 fiscal year that drove the increase in contractual personnel services and by the increase in contracted professional services expense in the HWCOT-OIA program related to the increase in student rotations. Non-operating expenses include the net of SPIA (State Treasury Special Purpose Investment Account) investment losses totaling \$29 thousand, and the total recorded transfers from the OIA program to HWCOT related to the fiscal year 2022 net income totaling approximately \$3.3 million.

FINANCIAL HIGHLIGHTS – PRIOR YEAR

The FIU-HCN assets in fiscal year 2021 totaled approximately \$11.6 million as of June 30, 2021; an increase of approximately \$2.2 million from June 30, 2020, resulting primarily from the cash and receivables from management fees under the management service line of business and cash and receivables from the educational program under the HWCOT Office of International Affairs (OIA) line of business. Approximately \$2.3 million under total assets in fiscal year 2021 belong to the operations of the HWCOT-OIA program. Total cash sent to HWCOT net of expenses from their OIA program during the fiscal year 2021 amounted to \$2.7 million.

The liabilities represent the accounts payable due to vendors and the Florida International University, accruals for the operating expenses, the unearned revenue related to the pre-paid rotations under the HWCOT-OIA program and the debt due to the Florida International University (FIU or FIU proper). Liabilities totaled approximately \$9 million as of June 30, 2021, an increase of approximately \$132 thousand over prior fiscal year driven by payables to HWCOT from the OIA program net income. Liabilities related to the HWCOT-OIA program amounted to approximately \$1.8 million as of June 30, 2021.

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The FIU-HCN’s operating revenues totaled approximately \$11.2 million for the 2021 fiscal year, an approximate increase of \$942 thousand over prior fiscal year and exceeding budget by \$1.1 million. Most of this increase is driven by higher volumes in the OIA program resulting from the ability to open remote learning programs during the COVID-19 pandemic.

Included in the \$11.2 million operating revenues are: (a) Management fee service revenue totaling approximately \$3.1 million. (2) The HWCOT-OIA educational program revenue and other OIA revenues deriving from registration, change and cancellation fees totaling approximately \$6.0 million. (3) Revenues related to the HWCOT clinics (the payments from HWCOT to cover the cost of operating the HWCOT clinical sites) totaling approximately \$1.3 million reported as part of “other revenues”. (4) The rental revenue which includes CAM revenue amounting to approximately \$0.68 million deriving from the Miami Children’s Hospital (currently Nicklaus Children’s Hospital) lease. The rental revenue from the lease is set aside to pay the principal and interest on the loan due to FIU.

Operating expenses totaled approximately \$5.7 million for the 2021 fiscal year, an increase of approximately \$285 thousand over the prior fiscal year. This is mainly driven by the increase in contracted services in the HWCOT-OIA program deriving from the increase in student rotations due to the remote program offerings during the COVID-19 pandemic. Non-operating expenses include the net of SPIA (State Treasury Special Purpose Investment Account) investment earnings totaling \$5 thousand, the interest expense on the debt payments to FIU proper totaling approximately \$141 thousand and the total recorded transfers from the OIA program to HWCOT related to the fiscal year 2021 net income totaling approximately \$3.2 million.

OVERVIEW OF FINANCIAL STATEMENTS

The FIU-HCN’s financial report includes three basic financial statements: the statement of net position; the statement of revenues, expenses and changes in net position; and the statement of cash flows.

Statement of Net Position

The statement of net position reflects the assets and liabilities of the FIU-HCN, using the accrual basis of accounting, and presents the financial position of the FIU-HCN at a specified time. The difference between total assets and total liabilities, net position, is one indicator of the FIU-HCN’s current financial condition. The changes in net position that occur over time indicate improvement or deterioration in the FIU-HCN’s financial condition.

The following summarizes the FIU-HCN’s assets, liabilities, and net position as of June 30:

Condensed Statements of Net Position as of June 30 (In Thousands)

	2022	2021	
Assets			
Current assets	\$ 6,851	\$ 10,598	
Noncurrent assets (1)	5,844	1,033	
Total Assets	\$ 12,696	\$ 11,631	

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	2022	2021
Liabilities		
Current liabilities (2)	\$ 2,537	\$ 8,969
Noncurrent liabilities (2)	5,085	-
Total Liabilities	\$ 7,622	\$ 8,969
Net Position		
Investment in capital assets	\$ 26	\$ 31
Unrestricted	5,047	2,631
Total Net Position (3)	\$ 5,073	\$ 2,662

- (1) *Noncurrent assets include a balance in SPIA (State Treasury Special Purpose Investment Account) of approximately \$1.0 million and lease receivable resulting from the implementation of GAS B87 Leases of \$4.8 million as of July 1, 2021.*
- (2) *Decrease in current liabilities is a result of the pay-off of the loan due to FIU on July 1, 2021 as approved by the FIU-HCN Board of Directors during the meeting on May 19, 2021.*
- (3) *As of June 30, 2022, FIU-HCN's net position ended strong with a balance of \$5.1 million retained for the benefit of the university. Approximately \$522 thousand in net position is reserved for the operations of the Office of International Affairs program belonging to HWCOM and \$1.0 million is reserved for future common area maintenance (CAM) expenses associated with the Nicklaus Children's Hospital lease agreement.*

The Condensed Statements of Net Position reflect the FIU-HCN's realignment of operations and change in financial model that began in fiscal year 2016 when the HCN revenue source transitioned from a full risk clinical revenue model to a management fee service revenue model. In this model the assets and liabilities of the FIU-HCN include the assets and liabilities of the HWCOM-OIA line of business. Current assets mainly depict cash and receivables of the management service model and the HWCOM-OIA line of business.

In fiscal year 2022 total assets increased by approximately \$1.1 million. This includes non-current capital assets net of depreciation. The increase derives primarily from the recognition of Lease receivables amounting \$5.2 million based on the present value of lease payments expected to be received from the lease with Nicklaus Children's Hospital at the Ambulatory Care Center (ACC) during the term of the lease in accordance with GASB 87 Leases. This was offset by cash decrease of approximately \$4.2 million as compared to the end of prior fiscal year. The decrease derives from the payment made to FIU on July 1st, 2021, to pay the loan balance of \$6.7 million as per the approval during the FIU-HCN Board of Directors meeting on May 19, 2021. The loan dated back to May 2015.

Total liabilities decreased by approximately \$1.3 million resulting from the decrease in Due to FIU by \$6.7 million related to the payment of the loan which was offset by the recognition of deferred inflow of resources (as per GASB 87) of approximately \$5.1 million and the increase in payables due to HWCOM from the OIA program net income amounting \$0.3 million

Net Position ended at \$5.1 million, an increase of approximately \$2.4 million over prior fiscal year deriving primarily from the management fee revenues under the management service line of business. From fiscal year 2015 through fiscal year 2022 FIU-HCN operated successfully under a management service financial model leading to a strong balance sheet. \$522 thousand of this balance belongs to the

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operations of the HWCOM-OIA program, \$1.0 million is set aside for future common area maintenance expense associated with the Nicklaus Children's Hospital lease agreement and \$3.6 million is retained by the FIU-HCN under the surveillance of the Board of Directors for the benefit of the university.

In fiscal year 2021 assets increased by approximately \$2.2 million. This includes non-current capital assets net of depreciation. The increase derives primarily from the net increase in cash and receivables from management fees under the management service line of business; \$1.7 million and the HWCOM Office of International Affairs (OIA) line of business; \$0.5 million. The increase was offset by a \$59 thousand reduction in net depreciable capital assets. Total liabilities increased by approximately \$132 thousand resulting from the increase in payables due to HWCOM from the OIA program net income.

Net Position ended at \$2.7 million, an increase of approximately \$2.1 million over prior fiscal year deriving primarily from the management fee revenues under the management service line of business. Approximately \$522 thousand of the total net position is reserved for the operations of the HWCOM-OIA program and \$872 thousand is reserved for future CAM expenses.

Statement of Revenues, Expenses and Changes in Net Position

The statement of revenues, expenses, and changes in net position presents the FIU-HCN's revenue and expense activity, categorized as operating and non-operating. Operating revenues are comprised principally of management fee service revenues, HWCOM-OIA educational program revenue and rental income. The management fee service revenues during fiscal year 2022 derive from the management of the HWCOM clinics, the HWCOM Office of International Affairs (HWCOM-OIA), the FIU Student Health Clinics, CCF credentialing and the leases of the Ambulatory Care Center (ACC) to Nicklaus Children's Hospital and to Gastro Health.

Revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid.

The following summarizes the FIU-HCN's activity for the fiscal years ended June 30:

**Condensed Statements of Revenues, Expenses, and Changes in Net Position
(In Thousands)**

	2022	2021
Operating revenues	\$ 11,683	\$ 11,170
Operating expenses	5,951	5,736
Operating Income	5,732	5,434
Non-operating revenue and expenses – net (1)	(29)	(136)
Transfers to the University	(3,292)	(3,211)
Change in Net Position	2,411	2,087
Net Position , beginning of year	2,662	575
Net Position , end of year	\$ 5,073	\$ 2,662

(1) *Non-operating revenue and expenses reflect the net of the interest expense on the loan from FIU during fiscal year 2021 and the net investment earnings/(loss) from SPIA (State Treasury Special Purpose Investment Account) in fiscal year 2022.*

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Operating Revenues

The FIU-HCN categorizes revenues as either operating or non-operating. Operating revenues are derived mainly from management fees, educational programs under the HWCOC Office of International Affairs (OIA), and rental income.

The following summarizes the operating revenues by source that were used to fund operating activities during the fiscal years ended June 30.

Operating Revenues (In Thousands)

	2022	2021
Management fees	\$ 3,078	\$ 3,067
Educational program	5,971	5,550
Rental revenue	608	507
Rental revenue – (Common Area)	178	172
Other revenues	1,848	1,874
Total Operating Revenues	\$ 11,683	\$ 11,170

The management fees derive from the management of the HWCOC clinics where the faculty physicians of HWCOC provide services to patients of the local community, the HWCOC-OIA educational program where FIU-HCN provides management services to the American University of Antigua (AUA) by administering its Certificate Program for the Clerkship Rotation to 3rd year medical students and its other programs, other OIA international programs with global affiliates (International Visiting Medical Students Program) and the management of the Student Health Clinics and pharmacy. The Student Health Pharmacy closed in June 2021 due to continued losses which was further impacted by the COVID-19 pandemic. The closing of the Student Health pharmacy realizes savings of approximately \$1.25 million over the next five years to FIU.

The clinical services are provided by the faculty physicians, and they consist of Family Medicine, Internal Medicine, Gynecology, Dermatology, clinical Oncology, Psychiatry and Behavioral Health. These providers operate in various clinical sites: the Ambulatory Care Center (ACC) in the Modesto A. Maidique Campus and in the three mobile health clinics. The Broward clinic closed in July 2020 of fiscal year 2021 and its operations were consolidated at the ACC clinic. Patient revenues are not reported above since they are recorded directly on the books of HWCOC along with respective patient accounts receivable. The revenue reported for the clinics under FIU-HCN is part of “other revenues” and it represents the payments for the clinics’ operating expenses that are paid by HWCOC to the FIU-HCN.

The educational program revenue under HWCOC-OIA is derived from the pre-clinical semester rotations (FM1/IM1), the graduate certificate program (core program) and the fourth-year electives program from the AUA and from fees from clinical electives in the International Visiting Medical Student (IVMS) program administered to international students through collaboration with various institutions around the world. The HWCOC-OIA program also generates revenues from other fees related to registration, change and cancellation fees. These are included under Other Revenues.

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Rental revenue is generated from the leases at the Ambulatory Care Center (ACC) to Gastro Health and to the Nicklaus Children's Hospital on the second floor operating as an Ambulatory Surgical Center which opened in April of 2015. The CAM received with the rent payment from the Nicklaus Children's Hospital gets recognized as revenue.

Other Revenues derive from other fees in the OIA line of business which include change fees, application, and cancellation fees and from the payments from HWCOM to FIU-HCN to cover the operating expenses passed through FIU-HCN for their clinic. The decrease is mostly driven by other revenue in the Management Service line of business related to a one-time payment to Student Health services from the Higher Education Emergency Relief Funds received in prior fiscal year.

Operating Expenses

The FIU-HCN categorizes expenses as operating or non-operating. The Governmental Accounting Standards Board (GASB) gives financial reporting entities the choice of reporting operating expenses in the functional or natural classifications. The FIU-HCN has chosen to report the expenses in their natural classification on the statement of revenues, expenses, and changes in net position.

The following summarizes the operating expenses by natural classifications for the fiscal years ended June 30.

Operating Expenses (In Thousands)

	2022	2021
Contractual personnel services (1)	\$ 2,495	\$ 2,285
Contracted professional services	2,757	2,626
Rentals and leases	-	77
Common area maintenance expenses	41	66
Other operating	426	397
Depreciation	5	59
Supplies - medical	143	128
Utilities	49	48
Repairs and maintenance	5	4
Advertising and promotion	16	25
Insurance	-	-
Supplies - other	14	21
Total Operating Expenses	\$ 5,951	\$ 5,736

(1) Contractual personnel services represent salaries and benefits expenses.

Fiscal year 2022 operating expenses totaled approximately \$5.9 million: an increase of approximately \$215 thousand from the previous fiscal year. The increase is mainly due to the increase in contractual personnel services deriving from vacant positions that were filled in 2022 and increase in contracted professional services in the HWCOM-OIA programs resulting from the increase in the preceptor rotation volumes.

Fiscal year 2021 operating expenses totaled approximately \$5.7 million.

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Non-Operating Revenue and Expenses

Non-operating expenses include interest expense on the loans owed to the University for previous years of operations as a full risk faculty group practice and the net earnings from the investments with SPIA (State Treasury Special Purpose Investment Account).

The following summarizes the FIU-HCN's non-operating expenses for the fiscal years ended June 30:

Non-Operating Revenues (Expenses) (In Thousands)

	2022	2021
Interest Expense	\$ -	\$ (141)
Other Income (SPIA)	(29)	5
Non-Operating Revenues and Expenses	\$ (29)	\$ (136)

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

In fiscal year 2023 the FIU-HCN financial model will transition to a "break-even financial model" aligned with clinic operations. The new model was presented at the May 2022 FIU-HCN Board of Directors meeting. In fiscal year 2023, the revenue budgeted under the Faculty Group Practice (FGP) as part of the "clinic operations break-even financial model" reflects clinical patient revenues, rental income and management fees related to a new agreement for the Student Health Clinics. In this new agreement, FIU-HCN will provide administrative and support services to the Division of Academic & Student Affairs (DASA) in exchange for a flat fee representing defined lower level of administrative support services. The corresponding revenues from DASA will change from \$537 thousand in fiscal year 2022 to \$90 thousand in fiscal year 2023.

The management fee revenue related to the management of the Herbert Wertheim College of Medicine (HWCOC) clinic does not apply in fiscal year 2023.

Although budgeted in fiscal year 2023, the patient revenue will start getting recorded under FIU-HCN after the agreements with the third-party payers are transitioned to FIU-HCN.

As part of the new financial model, the expenses of the FGP clinic will include a portion of the salaries and benefits of the FIU-HCN administrative personnel and the remainder of it will be under HWCOC in the university business unit. Any deficit from expenses exceeding income under the FGP clinic will be funded by HWCOC as cost reimbursement.

The salary and benefits related to the providers clinical time will continue to be excluded from the FIU-HCN and will continue to be reported under HWCOC in the university's business unit.

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The operating agreement executed in October 2018 with the American University of Antigua (AUA) is being assigned to FIU-HWCOM effective in October 2022 and the FIU-HCN management fees from the American University of Antigua (AUA) totaling approximately \$2.0 million per year will transition to HWCOM. This annual amount reflects the CPI increase negotiated by FIU-HCN in the October 2018 operating agreement. As part of the agreement assignment to HWCOM, the programmatic revenues from the HWCOM Office of International Affairs (OIA) line of business will also transition to HWCOM: the AUA graduate certificate program, the AUA FM1/IM1 program, the AUA Electives program, and the International Visiting Medical Student (IVMS) program.

During the first quarter of fiscal year 2023, the operating income of FIU-HCN will include the HWCOM-OIA line of business. The operating income of the OIA will be used to offset the expenses of the FGP.

Credentialing services to the Center for Children and Families (CCF) and the leases from Nicklaus Children's Hospital and Gastro Health will remain unchanged.

From fiscal year 2015 through fiscal year 2022, FIU-HCN operated successfully under a management service financial model leading to a strong balance sheet for the beginning of fiscal year 2023. After paying off the debt to FIU proper in July of 2021, the FIU-HCN holds and retains the oversight of the fund balance generated through the management service model in place until June 30, 2022.

As we transition to the break-even model, the change in fund balance to FIU-HCN resulting from the FGP is expected to be zero.

The COVID-19 Pandemic has extended into fiscal year 2023 caused by the omicron variant during the fourth quarter of 2021. Both operations and delivery of services will continue to adapt to the changes originally caused by the Pandemic.

Although COVID-19 continues to impact globally, available prompt testing and therapeutic modalities have assisted to curtail further spread. Travel has begun to increase, and requirements have loosened. This has enabled increase travel from global partner universities and hence, the International Visiting Medical Student program (IVMS) has seen increased volumes.

HWCOM leadership under the direction of the Dean has engaged consultants to provide a baseline assessment of the current clinic operations to determine measures necessary to increase volumes through enhanced payor contract negotiations, provider productivity metrics, workflow efficiencies and partnerships.

REQUESTS FOR INFORMATION

These financial statements are designed to provide a general overview of the FIU-HCN's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, The Florida International University Academic Health Center Health Care Network Faculty Group Practice, Inc., 11200 SW 8th Street, Miami, Florida 33199.

**THE FLORIDA INTERNATIONAL UNIVERSITY
ACADEMIC HEALTH CENTER HEALTH CARE NETWORK
FACULTY GROUP PRACTICE, INC.
STATEMENT OF NET POSITION
JUNE 30, 2022**

ASSETS

Current assets

Cash and cash equivalents	\$ 5,518,272
Education program receivable	566,488
Management fee receivable	425,077
Lease-related interest receivable	14,806
Current portion of lease receivable	311,289
Other receivables	1,342
Prepaid expenses	14,224
Total current assets	<u>6,851,498</u>

Noncurrent assets

Lease receivable, less current portion	4,842,899
Depreciable capital assets, net	26,232
Investments	975,231
Total noncurrent assets	<u>5,844,362</u>

Total assets

\$ 12,695,860

LIABILITIES

Current liabilities

Accounts payable	\$ 370,450
Due to Florida International University	1,625,622
Unearned revenue	540,985
Total current liabilities	<u>2,537,057</u>

Total liabilities

\$ 2,537,057

DEFERRED INFLOW

Deferred inflow of resources - lease-related	<u><u>\$ 5,085,371</u></u>
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NET POSITION

Net position

Net investment in capital assets	\$ 26,232
Unrestricted (see note 8)	5,047,200

Total net position

\$ 5,073,432

The accompanying notes are an integral part
of this financial statement.

**THE FLORIDA INTERNATIONAL UNIVERSITY
ACADEMIC HEALTH CENTER HEALTH CARE NETWORK
FACULTY GROUP PRACTICE, INC.
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2022**

Operating revenues	
Management fee revenue	\$ 3,077,789
Educational program	5,971,071
Lease-related revenue	785,745
Other revenue	1,848,326
Total operating revenues	<u>11,682,931</u>
Operating expenses	
Contractual personnel services	2,494,487
Contracted professional consulting services	2,756,352
Rentals and leases	379
Common area maintenance expenses	40,954
Software licensing fees	372,895
Other operating	53,064
Depreciation	5,000
Supplies - medical	143,153
Utilities	48,990
Repairs and maintenance	5,212
Advertising and promotion	16,130
Insurance	315
Supplies - other	14,249
Total operating expenses	<u>5,951,180</u>
Operating income	<u>5,731,751</u>
Nonoperating expense	
Other expense	<u>(29,046)</u>
Income before transfers	5,702,705
Transfers to Florida International University	(3,292,098)
Change in net position	<u>2,410,607</u>
Net position, beginning of year	2,662,825
Net position, end of year	<u><u>\$ 5,073,432</u></u>

The accompanying notes are an integral part
of this financial statement.

**THE FLORIDA INTERNATIONAL UNIVERSITY
ACADEMIC HEALTH CENTER HEALTH CARE NETWORK
FACULTY GROUP PRACTICE, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022**

Cash flows from operating activities	
Receipts from management fee revenue	\$ 2,944,897
Receipts from educational program revenue	6,060,128
Receipts from lease-related revenue	702,122
Receipts from other revenue	1,848,326
Payments to suppliers for goods and services	<u>(5,968,401)</u>
Net cash and cash equivalents provided by operating activities	<u>5,587,072</u>
Cash flows from noncapital financing activities	
Transfer from Florida International University	238,977
Transfer to Florida International University	(3,292,098)
Principal payments on notes payable to Florida International University	<u>(6,697,216)</u>
Net cash and cash equivalents used in noncapital financing activities	<u>(9,750,337)</u>
Cash flows from investing activities	
Purchase of investments	(10,293)
Interest income received	<u>8,703</u>
Net cash and cash equivalents used in investing activities	(1,590)
Net change in cash and cash equivalents	<u>(4,164,855)</u>
Cash and cash equivalents, beginning of year	9,683,127
Cash and cash equivalents, end of year	<u><u>\$ 5,518,272</u></u>
Reconciliation of operating income to net cash and cash equivalents provided by operating activities:	
Operating income	\$ 5,731,751
Depreciation	5,000
Adjustments to reconcile operating income to net cash and cash equivalents provided by operating activities:	
Increase in lease receivable	(5,154,188)
Increase in lease-related interest receivable	(14,806)
Increase in management fee receivable	(132,892)
Decrease in education program receivable	33,547
Decrease in prepaid expenses	6,609
Increase in deferred inflow of resources	5,085,371
Increase in unearned revenue	55,510
Decrease in accounts payable	<u>(28,830)</u>
Net cash and cash equivalents provided by operating activities	<u><u>\$ 5,587,072</u></u>

The accompanying notes are an integral part
of this financial statement.

**THE FLORIDA INTERNATIONAL UNIVERSITY ACADEMIC HEALTH CENTER
HEALTH CARE NETWORK FACULTY GROUP PRACTICE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

(1) **Summary of Significant Accounting Policies:**

(a) **Reporting entity**—The Florida International University Academic Health Center Health Care Network Faculty Group Practice, Inc. (the FIU HCN), a Florida not-for-profit corporation, is a component unit of Florida International University (FIU). The FIU HCN exists exclusively to support the mission of FIU to improve and support health education at FIU in the Herbert Wertheim College of Medicine (HWCOC), the Robert Stempel College of Public Health and Social Work, the College of Nursing and Health Sciences, and departments in the College of Arts and Sciences with clinical activities. The FIU HCN has been granted tax-exempt organization status as defined by Section 501(c)(3) of the Internal Revenue Code. FIU HCN transitioned to a Management Services Organization (MSO) model in fiscal year 2016 where management services are provided to HWCOC, Office of International Affairs (OIA), the FIU Student Health Clinics, and Center for Children and Families (CCF). Additionally, FIU HCN also receives sublease revenue.

The FIU HCN was organized in the State of Florida on February 21, 2008 and on August 9, 2012, the FIU HCN changed its name from The Florida International University College of Medicine Health Care Network Faculty Group Practice, Inc. to The Florida International University Academic Health Center Health Care Network Faculty Group Practice, Inc.

(b) **Basis of presentation**—The financial statements of the FIU HCN have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The FIU HCN reports under the GASB standards because it meets the criteria regarding the popular election of officers or appointment of a controlling majority of the members of the FIU HCN's governing body by one or more state or local governments.

In accordance with GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, the FIU HCN met the criteria to use enterprise fund accounting and financial reporting. Accordingly, the financial statements are reported using the economic resources measurement focus and accrual basis of accounting, which recognizes revenue when earned and expenses when a liability is incurred, regardless of timing of the related cash flow.

(c) **Use of estimates**—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

(d) **Cash and cash equivalents**—The FIU HCN considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. In addition to insurance provided by the Federal Depository Insurance Corporation, all deposits are held in banking institutions approved by the State Treasurer of the State of Florida to hold public funds. Under Florida Statutes Chapter 280, Florida Security for Public Deposits Act, the State Treasurer requires all Florida qualified public depositories to deposit with the Treasurer or another banking institution, eligible collateral. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses. Accordingly, all amounts reported as deposits are insured or collateralized.

**THE FLORIDA INTERNATIONAL UNIVERSITY ACADEMIC HEALTH CENTER
HEALTH CARE NETWORK FACULTY GROUP PRACTICE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

(1) **Summary of Significant Accounting Policies:** (Continued)

(e) **Investments and fair value measurements**—Funds are invested in the Special Purpose Investment Account (“SPIA”) within the Florida Treasury Investment Pool (“FTIP”). This is a pool of investments whereby the FIU HCN owns a share of the pool, not the underlying securities.

Investments are recorded at fair value. Interest, dividends, and gains and losses on investments, both realized and unrealized, are included in net investment income on the statement of revenues, expenses and changes in net position.

The FIU HCN categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs (see Note 2).

(f) **Capital assets**—Capital assets are reported at historical cost less accumulated depreciation. Capital assets consist of fixed and moveable medical equipment. Depreciation is calculated using the straight line method over the estimated service lives of the assets, which consist of 5-15 years for moveable equipment and 5-7 years for fixed equipment.

(g) **Flow assumption for restricted assets**—If both restricted and unrestricted assets are available for use for a certain purpose, it is the FIU HCN’s policy to use restricted assets first, and then use unrestricted assets as needed.

(h) **Operating revenue and expenses**—The FIU HCN’s statement of revenues, expenses, and changes in net position distinguishes between operating and nonoperating revenues, and expenses. Operating revenue results from exchange transactions associated with providing management services to HWCOC, Student Health Clinics, the management of the educational program for the OIA which are earned under the terms of the agreement with the American University in Antigua (AUA), CCF credentialing services, and the subleases to Nicklaus Children’s Hospital and Gastro Health. Operating expenses include all expenses incurred to provide management services, other than external financing costs. Additionally, operating expenses also include programmatic services and other expenses that are passed through to stake holders.

(i) **Educational program revenue**—Educational program revenues are earned under the terms of the agreement with the AUA and consist of monthly tuition revenues earned at the start of each program cycle. In addition, the FIU HCN receives program revenue under OIA from the International Visiting Medical Student program administered to international students through collaboration with various institutions. As part of the MSO role for OIA, the FIU HCN manages the operations and is custodial of programmatic profits until such time the HWCOC requests transfers of the profits.

(j) **Income taxes**—The FIU HCN is a not-for-profit corporation, as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes, except for unrelated business income. There were no income taxes resulting from unrelated business income during the year ended June 30, 2022. Management is not aware of any activities that would jeopardize the FIU HCN tax exempt status. The FIU HCN is not aware of any tax positions it has taken that are subject to a significant degree of uncertainty. Tax years for the past three years remain subject to examination by taxing authorities.

**THE FLORIDA INTERNATIONAL UNIVERSITY ACADEMIC HEALTH CENTER
HEALTH CARE NETWORK FACULTY GROUP PRACTICE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

(1) **Summary of Significant Accounting Policies:** (Continued)

(k) **Recently issued accounting pronouncements**—GASB issued Statement No. 87, *Leases*, in June 2017. GASB 87 seeks to increase the usefulness of governmental financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. The FIU HCN evaluated the effect of the implementation of the new standard and recorded a lease receivable of \$5,154,188, interest receivable of \$14,806, and deferred inflow of resources of \$5,085,371 in the Statement of Net Position for the year ended June 30, 2022. Refer to Note 6 for discussion of the underlying lease agreements.

GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, in May 2020. GASB 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The provisions in GASB 96 are effective for periods beginning after June 15, 2022.

(l) **Subsequent events**—Effective in fiscal year 2023, the FIU HCN financial model transitions to a "break-even financial model" aligned with clinic operations. See *Economic Factors That Will Affect the Future* section within the Management's Discussion and Analysis for further information.

(2) **Investments:**

Investments are comprised of funds invested in the SPIA within the FTIP. Funds within the FTIP are subject to various risks including credit risk and interest rate risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. This risk can be evaluated based on the rating assigned to an issuer or other counterparty by an independent rating agency. Interest rate risk is the risk that arises for holders of fixed income securities due to fluctuations in interest rates. This risk increases as the time to maturity or duration of these securities increase. The FTIP is not exposed to foreign currency risk as State law and investment policy do not authorize the FTIP to purchase investments in foreign currencies.

The FIU HCN reported investments in SPIA at fair value totaling \$975,231 at June 30, 2022, representing ownership of a share of the pool, not the underlying securities. Pooled investments with the State Treasury are not registered with the Securities and Exchange Commission. Oversight of the pooled investments with the State Treasury is provided by the Treasury Investment Committee per Section 17.575, Florida Statutes. The authorized investment types are set forth in Section 17.57, Florida Statutes. As of June 30, 2022, the SPIA carried a credit rating of AA-f by Standard & Poor's, had an effective duration of 2.66 years and a fair value factor of 0.9479.

Participants contribute to the Treasury Pool on a dollar basis. These funds are commingled and a fair value of the pool is determined from the individual values of the securities. The fair value of the securities is summed and a total pool fair value is determined. A fair value factor is calculated by dividing the pool's total fair value by the pool participant's total cash balances. The fair value factor is the ratio used to determine the fair value of an individual participant's pool balance. The FIU HCN relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury investment pool are included in the notes to the financial statements of the State's Annual Comprehensive Financial Report.

The fair value of the FIU HCN's investment in the SPIA is measured on a recurring basis, which is valued based on the FIU HCN's share of the pool, using significant unobservable inputs (Level 3), as of June 30, 2022.

**THE FLORIDA INTERNATIONAL UNIVERSITY ACADEMIC HEALTH CENTER
HEALTH CARE NETWORK FACULTY GROUP PRACTICE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

(3) Educational Program:

Effective October 1, 2013, an agreement was executed by HWCOCM on behalf of the FIU HCN with the AUA that allows for the opportunity for qualified AUA students to participate in a HWCOCM Clinical Certificate Program that offers clinical rotations in multiple medical specialties under three different AUA programs

A new agreement with the AUA was executed by HWCOCM, the FIU HCN and the Florida International University effective October 1, 2018 through September 30, 2021, increasing rates and replacing the previous agreement. The agreement automatically renewed for one year through September 30, 2022, generating management fee and education program revenues for the FIU HCN. The agreement has been reassigned to HWCOCM effective October 2022 to align with the new financial and operating model in fiscal year 2022-23.

For the year ended June 30, 2022, total revenues earned under the terms of the agreements approximated \$7,080,000, composed of \$1,880,000 in management fee revenue and \$5,200,000 in educational program revenue.

(4) Depreciable Capital Assets:

A summary of depreciable capital assets is as follows:

	<u>Balance July 1, 2021</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2022</u>
Medical equipment	\$ 551,669	\$ -	\$ -	\$ 551,669
Accumulated depreciation	(520,437)	(5,000)	-	(525,437)
Depreciable capital assets, net	<u>\$ 31,232</u>	<u>\$ (5,000)</u>	<u>\$ -</u>	<u>\$ 26,232</u>

(5) Related Party Transactions:

On August 27, 2010, the FIU HCN entered into a loan agreement totaling \$5,321,198 with FIU in order to provide working capital and build out capital to fund the expansion of the faculty practice plan and the establishment of the ambulatory care center and other FIU clinical activities. In June of 2015, the FIU HCN renegotiated the loan agreement with FIU and borrowed an additional \$3,015,652, and \$297,112 of accrued interest was added into the loan balance, bringing the total loan to a balance of \$8,633,962. Interest on the loan accrues at 2.00% simple interest and the loan was scheduled to mature in 2036. The principal balance of the loan was \$6,697,216 at the beginning of the fiscal year ended 2022. The loan with FIU was paid off effective July 1, 2021. There was no balance outstanding at June 30, 2022.

In addition, at June 30, 2022, \$1,625,622 was owed to FIU for expenses incurred in the ordinary course of business and is included in accounts payable on the statement of net position. Amounts owed from FIU for revenues incurred in the ordinary course of business are included in management fee receivable on the statement of net position at June 30, 2022 totaled \$268,404.

**THE FLORIDA INTERNATIONAL UNIVERSITY ACADEMIC HEALTH CENTER
HEALTH CARE NETWORK FACULTY GROUP PRACTICE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

(6) **Leases:**

The University and the FIU HCN are parties to a space leasing agreement for the Ambulatory Care Center with a term of 40 years, expiring in October 2035. For the year ended June 30, 2022, rent expense under this agreement amounted to \$1 per year.

Furthermore, certain space within this facility was subleased. The FIU HCN recognized lease revenue of \$419,644, interest revenue of \$188,449, and common area maintenance income of \$177,652, for a total \$785,745 of lease-related revenue for the year ended June 30, 2022. This sublease runs through 2035, and has an option to renew for an additional 10-year period. Future minimum rentals will be increased by the Bureau Labor Statistics Consumer Price Index (“CPI”) on annual basis. Future minimum rentals to be received on the sublease are as follows:

Fiscal Year Ending June 30	Principal	Interest	Common Area Maintenance	Total
2023	\$ 325,161	\$ 177,552	\$ 177,652	\$ 680,365
2024	336,948	165,730	177,652	680,330
2025	349,162	153,480	177,652	680,294
2026	361,819	140,786	177,652	680,257
2027	374,934	127,631	177,652	680,217
2028 – 2032	2,088,657	423,533	888,260	3,400,450
2033 – 2035	1,317,507	63,696	488,543	1,869,746
Total future minimum rentals	<u>\$ 5,154,188</u>	<u>\$ 1,252,408</u>	<u>\$ 2,265,063</u>	<u>\$ 8,671,659</u>

The FIU HCN leases equipment and building occupancy on a month-to-month basis. Total rental expense for the year ended June 30, 2022 was \$379.

(7) **Commitments and Contingencies:**

Healthcare industry—The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare participation requirements, reimbursement for patient services, Medicare fraud and abuse and under provisions of the Health Insurance Portability and Accountability Act of 1996, patient records privacy and security. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

Management believes that the FIU HCN is currently in compliance with fraud and abuse statutes as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

**THE FLORIDA INTERNATIONAL UNIVERSITY ACADEMIC HEALTH CENTER
HEALTH CARE NETWORK FACULTY GROUP PRACTICE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

(8) **Unrestricted Net Position:**

The FIU HCN has designated certain components of current unrestricted net position for certain purposes.

Unrestricted net position is classified as follows at June 30, 2022:

Designated	
Common area maintenance	\$ 1,008,581
Office of International Affairs	522,325
Total designated	<u>1,530,906</u>
Undesignated	
This component represents funds that have not been designated for any purpose by the Board of Directors and are readily available for expenditure, in accordance with the purpose and bylaws of the FIU HCN [see Note (1) (a)]	
	<u>3,516,294</u>
Total unrestricted net position	<u><u>\$ 5,047,200</u></u>

COMPLIANCE SECTION

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors and Audit Committee of,
The Florida International University Academic Health Center
Health Care Network Faculty Group Practice, Inc.:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Florida International University Academic Health Center Health Care Network Faculty Group Practice, Inc. (the FIU HCN) as of and for the year ended June 30, 2022, and the related notes to the financial statements, and have issued our report thereon dated October 25, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the FIU HCN's internal control over financial reporting (internal control) as a basis for designing the procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the FIU HCN's internal control. Accordingly, we do not express an opinion on the effectiveness of the FIU HCN's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

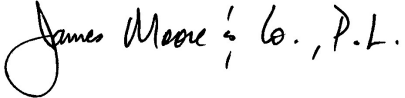
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the FIU HCN's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

James Moore & Co., P.L.

Gainesville, Florida
October 25, 2022